WEEKLY ECONOMIC REVIEW

July 21, 2006

Canada's headline CPI inflation rate fell to 2.5 per cent in June (from 2.8 per cent in May). Gasoline and natural gas prices were the main contributors to the slowdown in inflation. The core inflation rate (which excludes the eight most volatile components of the CPI) eased to 1.7 per cent, down from 2.0 per cent the previous month.

Alberta's CPI inflation rate fell to 3.7 per cent in June (from 4.5 per cent in May), due in part to a 33 per cent drop in natural gas prices last month. In noting that Alberta's inflation rate remains above the Canadian average, Statistics Canada cited large increases in homeowners' replacement cost in recent months. This component of the CPI, which is estimated using new housing prices, has been pushed higher by rapidly rising Alberta house prices.

U.S. Federal Reserve Board chairman Ben Bernanke indicated that he expects U.S. inflation to ease in the coming months, due to a cooling U.S. housing market and an expected return to trend-level U.S. economic growth. Mr. Bernanke's comments were generally interpreted as a signal that the U.S. monetary tightening cycle may be nearing its end, despite recent increases in the U.S. inflation rate. U.S. headline inflation edged up to 4.3 per cent in June, while core inflation rose from 2.4 to 2.6 per cent.

Cdn Dollar (C¢/US$)

July 21, 2006	87.9¢
July 14, 2006	88.7¢
2006-07 YTD	89.1¢

WTI Oil US$/bbl

July 20, 2006	$73.08
July 13, 2006	$76.70
2006-07 YTD	$71.41

Nymex Natural Gas C$/mcf*

August Contract

July 21, 2006	$6.73
July 14, 2006	$7.02

*Estimate based on Nymex Futures Market Price

China's economy continued to expand at a remarkable pace, recording growth of 10.9 percent (annualized rate) in first half of 2006. China's exports surged 25.2 per cent in the first six months of the year, while imports jumped by 21.3 per cent.

Oil prices fell back from their recent record high of over US$77/bbl, but remained highly volatile due to the continued hostilities in Lebanon and Israel. Markets remain concerned that a widening of the conflict could affect oil supplies from countries such as Iran.

Economic Indicators Released this Week	Reference Period	Month/Previous Month	Month/Previous Year's Month	Year-to-date[1]
Consumer Price Index (1997=100)	**June**			
Alberta	138.9	-0.4%	3.7%	3.7%
Canada	130.4	-0.2%	2.5%	2.5%
United States (1982-84=100)	202.9	0.2%	4.3%	4.7%
Wholesale Trade ($ Millions)	**May**			
Alberta	5,076	-0.2%	11.5%	15.2%
Canada	41,789	0.9%	6.6%	8.0%
New Motor Vehicle Sales	**May**			
Alberta	20,496	1.3%	21.7%	16.2%
Canada	135,618	-1.0%	5.9%	1.9%

Source: Statistics Canada, U.S. Bureau of Labour Statistics

[1]*Year-to-date 2006 compared to the same time period in 2005. For example: January-May 2006 versus January-May 2005*